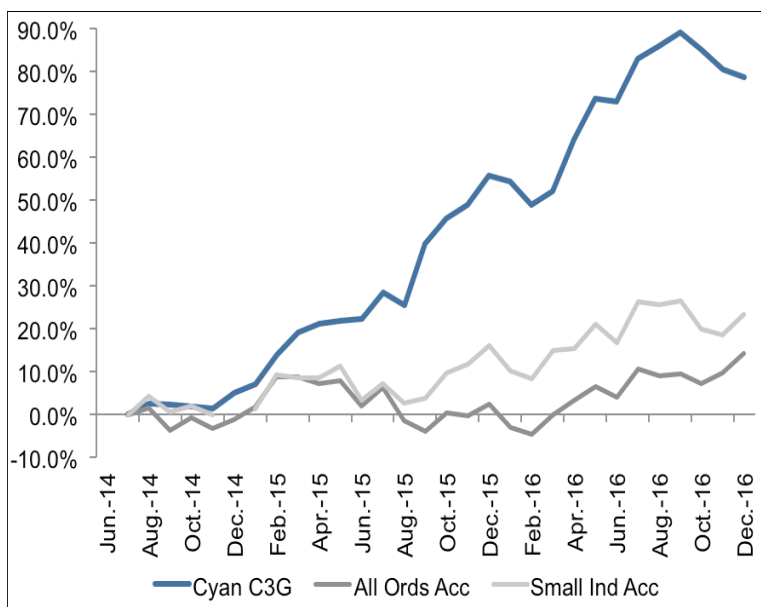


Cyan aims to invest in the most promising and highest quality smaller companies listed on the ASX.

## C3G Fund Update 31 December 2016



<b>Fund Incep: 24 Jul 2014</b>	<b>1.000</b>		
<b>Unit price: 31 Dec 2016</b>	<b>1.628</b>		
Performance	Cyan C3G	All Ords Acc	Small Ind Acc
1 mth	-1.0%	4.2%	3.9%
6 mths	3.3%	9.9%	5.7%
1 Year	14.8%	11.6%	6.2%
2 Year (p.a.)	30.4%	7.6%	10.5%
<b>Since Incep (p.a.)</b>	<b>26.8%</b>	<b>5.6%</b>	<b>9.0%</b>
<b>Volatility</b>	<b>11.9%</b>	<b>12.8%</b>	<b>13.8%</b>

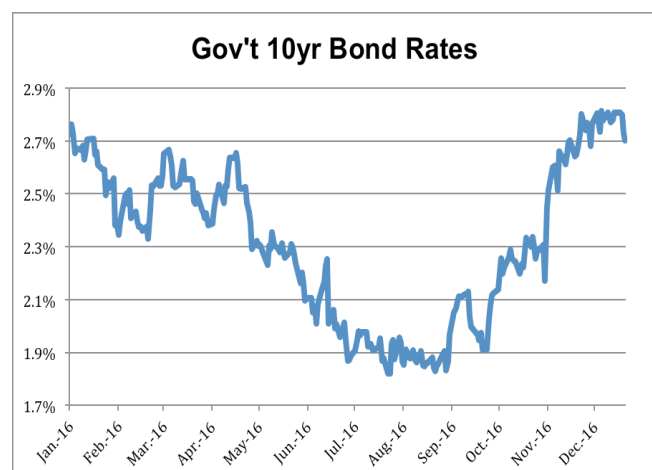


We are somewhat disappointed to report that the Fund posted another small fall in December, retracing 1.0%. Much of this was due to our small position in Bellamy's that we will expand upon later.

To most investors' surprise, the market posted strong gains since the Trump victory in the US election. The broader market in Australia has risen almost 9% since the unexpected result. Bearing in mind that All Ordinaries is heavily weighted (almost 40%) to the banking and the financial sectors, much of the All Ords' performance is linked to the 4 banks (ANZ, CBA, NAB, WBC) that have all risen between 10% and 20%.

Interestingly, like many prior 'doomsday events' (Greek Exit, Brexit, US Election), the initial fear of the outcome has far exceeded the reality of the event with the markets (again) experiencing a material 'relief rally'.

The major loser however has been the bond sector with rates of longer-term securities spiking to 12 month highs since October.



### December Review

The negative Fund result in the month was primarily due to our position in **Bellamys (BAL)**. As we reported last month:

*"Close followers of Cyan and the stock market would likely be aware of the shock downgrade by Bellamy's (BAL) early in December, citing lower than expected sales to China. Given the company held its AGM in late October and gave no indication of any issue, the market was understandably shocked. Cyan took immediate action and sold its holding the instant the stock began trading after the announcement. Whilst less than ideal, BAL is presently trading \$2 below where we conducted that sale. With a weighting of 3.5% prior to the downgrade, the impact on the Fund amounted to approximately 1.2% in December."*

Bellamy's has now been suspended for more than a month and as it's highly likely that there is more bad news to come, we are certainly pleased we took decisive action in early December to cut our position entirely.

December is traditionally quiet in respect to news flow, and there wasn't anything else in the way of stock specific news related to the Fund to report.

We took small positions in two IPOs: **Axesstoday (AXL)** <http://www.axesstoday.com.au/> is a small, but growing, equipment finance business that is expecting to experience revenue and NPAT growth in FY2017 in excess of 100%. **AXL** ended the month up 28% on its IPO price.

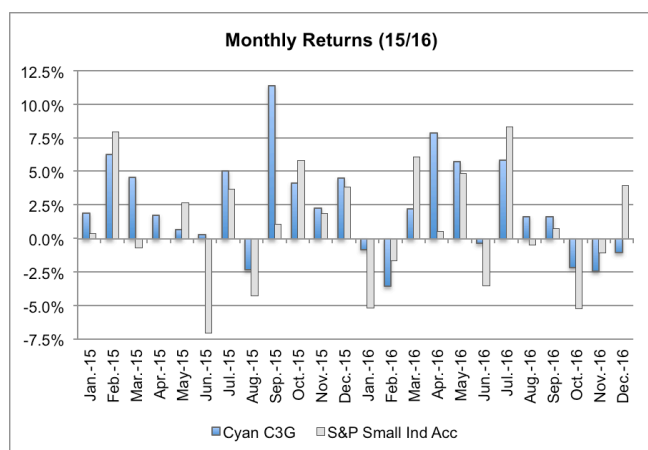
**GetSwift (GSW)** <http://www.getswift.co/> provides subscription based cloud software to small-medium sized businesses enabling them to manage their delivery networks. Given the consumer trend for products to be delivered 'to door' **GSW** appears to enjoy significant structural tailwinds. **GSW** ended the month up 50% on its 20c IPO price.

## Outlook

It is worthwhile recalling that the Fund has never posted more than three consecutive monthly falls. We are pleased to report (to date) that the Fund has started the 2017 year positively.

Of course we have little control over our month-to-month results. Often stocks will experience bursts of price action (that either pre-empt or lag the underlying business performance) interspersed with periods of stagnation or indeed some price retracement.

Calendar 2016 was such a year where the C3G Fund performed brilliantly in the first 3 quarters of the year and pulled back in the last quarter. Whilst we would much prefer a more measured performance outcome, much of what occurs in the short-term is simply out of our control.



Having said all that, the longer-term track record of the Fund remains outstanding. Over the past two years the C3G Fund has exceeded comparable indices by 20%+ p.a. and has achieved this with lower volatility (i.e. risk).

Despite some new stocks, the Fund still contains around 50% in cash and hence is well placed to take advantage of further price declines when we see attractive opportunities or when the present uncertainty clears.

At Cyan, we will continue to meet with management teams post the holiday season. We are seeing a number of emerging businesses well positioned to continue their strong performances and hope the positive start to the new year will continue.

The vast majority of our larger positions contain our preferred characteristics of high return on equity, strong

cash conversion and below average dividend payout ratios, which positions them well to deliver ongoing earnings growth and share price appreciation.

We trust our investors had a safe and enjoyable holiday season with their family and friends. We thank you for your support and look forward to keeping you all updated with the Fund's progress.

As always we are contactable in person if investors wish to discuss any aspect of their investment in the Cyan C3G Fund.

Dean Fergie and Graeme Carson

To invest in the Cyan C3G Fund online click here:

<http://www.cyanim.com.au/cyan-c3g-fund-investment-processing-via-olivia123/>



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Past performance is not a reliable indicator of future performance. The Total Returns of the Cyan C3G Fund over specified periods are shown above. This document contains information regarding Total Returns to 31 December 2016. Total Returns are calculated after taking into account performance fees. A performance fee of 20.5% is payable quarterly on any excess performance (after deducting the Management fee) above the quarterly benchmark of 2.5%. A performance fee is only payable where the Fund has exceeded both the benchmark and high water mark

The Total Return performance figures quoted are historical, calculated using end of month mid prices and do not allow the effects of income tax or inflation. Total Returns assume the reinvestment of all distributions. The performance is quoted net of all fees and expenses. The Indices do not incur these costs. This information is provided for general comparative purposes. Positive returns, which the Fund is designed to provide, are different regarding risk and investment profile to index returns. This document is for general information purposes only and does not take into account the specific investment objectives, financial situation or particular needs of any specific recipient. As such, before acting on any information contained in this document, recipients should consider the appropriateness of the information to their needs. This may involve seeking advice from a qualified financial adviser. Cyan Investment Management Pty Ltd (AFSL 453209) is the issuer of the Cyan C3G Fund. A current IM is available from Cyan Investment Management Pty Ltd, located at 17/31 Queen Street, Melbourne VIC 3000. A person should consider the IM before deciding whether to acquire or continue to hold an interest in the Cyan C3G Fund. Any opinions or recommendation contained in this document are subject to change without notice and Cyan Investment Management Pty Ltd is under no obligation to update or keep any information contained in this document current. Cyan Investment Management Pty Ltd holds AFSL 453209.